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The Director of Central Intelligence

Washington, D.C. 20505

Intelligence Community Staff

ICS 3799-88
27 September 1988

MEMORANDUM FOR: Distribution

FROM:

Director, Requirements and Evaluation Office, ICS

SUBJECT: DCI's FY 1990-1994 Initiatives Fund Evaluation

1. As you know, you have been selected to participate in the evaluation of the candidate initiatives that are being considered for the FY 1990-1994 funding under the DCI's One-Percent Initiative Fund. This is a special fund of approximately [] in FY 1990 that grows through the outyears to [] in FY 1994, from which the DCI will add emphasis to selected, key existing topics and support selected, key new initiatives for the 1990s. Attachment A provides some additional background on this Fund and the process we are using to implement this program. []

2. The initiatives being considered have been grouped into topics of high interest, or "bundles," and the initial evaluation and priority ranking within each bundle will be done by several evaluation teams, identified at Attachment B. As for timing, Attachment C provides a breakout of our general planned activities over the next few weeks, and the specific schedule of the team meetings, with place and time, is at Attachment D. [NOTE: For convenience, meeting times and places were set up for two meetings per team. Depending on the number of initiatives being considered by the team, only one meeting may be necessary.] []

3. As you can see the schedule is very tight, and there is a lot of work to be done. Our plan, generally, is as follows:

- o Distribute appropriate material to each team member.

- This package, to be distributed separately, will contain general guidance for each team, the appropriate description sheet/sheets for each initiative, and a set of vital gaps that apply to that particular bundle.

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- o Review the initiatives individually.
 - All team members should familiarize themselves with the initiatives, to understand what is being proposed, and begin to assess the value of each initiative relative to the other initiatives in the bundle. In a few days, each team representative will be asked to relate each initiative to substantive gaps and provide a priority ranking of the initiatives based on assessments of their relative benefit. This is the first in a series of steps to assist each team in ranking the initiatives in their bundle and grouping them into one of three priority categories: high, medium, and low. If there are questions during this period on any of the initiatives, you should contact the ICS/PBO or ICS/REO representative on your team (Attachment B).
- o Convene initial team meetings in accordance with the schedule at Attachment D.
 - The purpose of this first meeting will be to review and discuss the substance of the initiatives, answering any questions about the descriptive write-ups.
- o Subsequent to the first meeting, each member will individually relate each initiative to the substantive gaps and provide a relative ranking of the initiatives in their bundle.
 - The initial, individual rankings will be done based on the "relative benefit provided." Benefits are based on contribution to gap closure and the speed with which an initiative reaches initial operating capability (IOC), where that can be determined. Initiatives that reduce most gaps soonest should generally be considered to have greatest benefit; initiatives that reduce fewest gaps and achieve IOC latest should generally have least benefit. Each team member will have 1,000 "benefit points" to distribute among the initiatives based on his assessment of the expected benefit that each would provide when compared with the other initiatives being considered. This information, plus the assessment of the degree to which each initiative contributes to the closure of the vital gaps provided, is due back to REO prior to the next team meeting.

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- o A final team meeting will then be held to finalize the following three items--drafts of each to be provided by REO at these meetings.
 - A "team ranking" of the initiatives in the bundles. As a basis for discussion, a "strawman" ranking will be developed by REO for consideration by the team. This preliminary ranking will be based on a ratio computed for each initiative from the relative benefit scores provided by the team member. The benefit scores for each initiative (less the highest and lowest) will be summed and divided by the estimated five-year cost total for the initiative. Reflecting the guidance that, generally speaking, the highest benefit, lowest cost initiatives will be more attractive than others and will have priority, this is one way of portraying a relative ranking that takes into consideration both benefit and cost. I want to emphasize that this is not an attempt to "compute" a final ranking for the group, but simply a means to provide an initial team ranking that can be discussed and revised as the team judges appropriate.
 - Categorization of initiatives into three categories: high, medium, and low priority.
 - A matrix that relates initiatives to gaps.

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4. Further guidance will be given at the initial meeting of each evaluation team. If you have any questions about the process, please contact the appropriate REO team leader identified at Attachment B, or me on secure

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Attachments:
As stated

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Attachment A

30 August 1988

A Way to Implement the DCI's "One-Percent" Initiatives Fund

Overall Objective: To provide a means by which the Director of Central Intelligence (DCI) can provide to the National Foreign Intelligence Program (NFIP) an impetus which it otherwise would not have in it. One feature is to add the DCI's emphasis to selected, key existing topics. Another is to support selected, key new initiatives for the 1990s.

More specifically, the goal is to develop a balanced set of coherent packages of initiatives that responds to Presidential and DCI substantive interests, has a Community focus, and is programmatically sound for each year of FY 1990 through FY 1994. The estimated total of funds available for use in FY 1990 is [redacted] the funds for the outyears grow appropriately. This package should:

- o Reduce the most serious gaps related to selected intelligence problems of high-level interest.
- o Get the most for our precious new money for investment.
- o Fix any small, serious programmatic disconnects.
- o Demonstrate that such a process works.

Scope: The Program Managers' budget submissions ostensibly will be for two years; i.e., FY 1990 and FY 1991. It is possible that a Program Manager will want to submit, in the context of his program, an initiative for a new investment that begins in FY 1991. At the same time, an initiative selected for FY 1990 with outyear ramifications will have to be protected for FY 1991 and beyond.

Community Involvement: Key steps in this process will occur with the Intelligence Community. The Program Managers will have to define and put forward sound, substantively based initiatives in keeping with DCI guidance, their missions and needs and this concept paper. Further, on a "must-know" basis, selected DCI Committee Chairman and selected National Intelligence Officers will have to provide inputs to the assessment for each initiative. Later, the Program Managers will have to review the entire package and provide comments for the DCI.

Methodology: The package will be developed by the Intelligence Community Staff (ICS), reviewed by appropriate senior Community leaders, and decided by the DCI. The Program and Budget Office (PBO) will identify candidate

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initiatives, the Intelligence Producers Council Staff (IPCS) will develop associated gaps for those initiatives, and the Requirements and Evaluation Office (REO) will evaluate them. (PBO has the initiator role because of the nature of the National Foreign Intelligence Program; i.e., the Program managers propose new initiatives.) The tripartite, ICS portion of this process is outlined below in the sequence in which it will occur.

Identifying Initiatives: PBO will gather and, if appropriate, help develop candidate initiatives from:

- o Initiatives that Program Managers include in their specific proposals submitted for competition against the one percent or in overguidance submissions.
- o Initiatives identified in previous Intelligence Community studies;

Moreover:

- o Initiatives selected will relate to the following topics of high interest identified in the DCI's FY 1990-1994 Guidance:

- o Initiatives also can include fixes to any small, serious disconnects among programs that surface in the normal ICS budget review.
- o Any collection system considered must include any associated processing, exploitation, and analysis.

In gathering initiatives, PBO will exclude:

- o Initiatives related to specific projects directed to be funded within DCI fiscal guidance.
- o "Gold watches"; i.e., highly desirable new projects left outside guidance or unfunded to attract sympathetic attention.
- o Projects already programed in FY 1989 (or earlier) to prevent pulling funded projects out of the program for consideration, and substituting other projects within funding.
- o Buy-ins with insufficient or implausible cost and schedule data.

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Identifying Gaps: For substantive topics, IPCS will develop the gaps, associated with the critical and high-interest topics to be used to evaluate the initiatives, working with the ICS and other Community elements. Existing statements of gaps will be used to the extent possible.

Evaluating Initiatives: REO--with assistance from the National Intelligence Council, the ICS, and others--will evaluate the list of initiatives developed by PBO:

- o The bases for evaluating the attractiveness of candidate initiatives, whether for added emphasis or for new activities, will be:
 - Their ability to reduce gaps in our understanding of critical or high-interest, substantive topics.

Alternatively, for nonsubstantive topics (e.g., a proposed communications upgrade), their ability to enhance the performance of the Intelligence Community.
 - The time required for the initiative to reach initial operational capability (IOC).
 - Cost to IOC.
- o REO will use the attached form to evaluate each initiative. Each initiative should fit on one to two pages. REO will be the library.
- o Highest priority will be assigned to those initiatives or bundles of them that contribute most to reducing gaps (or enhancing performance), are available soonest, and cost the least.

Iterations: It will be necessary to go through this sequence, or at least the middle-to-end pieces of it, a number of times.

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Attachment C

Schedule to Implement the DCI One Percent Fund
(1988)

July: DCI/DDCI outline concept to NFIC meeting.

August: PBO repeats outline to Program Manager's meeting.

30 August: DDR&E issues implementation paper to Intelligence Community as process gathers momentum.

12 September: IPCS begin identification of critical gaps relating to the initiative "bundles".

15 September: Deadline for submission of initiatives to PBO/ICS.

26 September: PBO/REO finalize list of initiatives and complete initiative descriptions.

NLT 27 September: IPCS completes statement of gaps for the substantive bundles.

NET 27 September--
NLT 30 September: REO distributes to the evaluation teams their bundles (to include initiative description sheets, gaps statements, and general guidance on how to conduct the evaluation).

4-11 October: Evaluation Teams meet and advise D/REO.

11 October: REO distributes, to the DDR&E Steering Group, a list of all initiatives considered by the evaluation teams, and descriptions of those the teams ranked highest in priority.

NLT 14 October: A draft package for allocating the one-percent fund is sent to the Intelligence Community (DDR&E Steering Group) for consideration and comment. Included are the relative rankings of initiatives within each bundle as proposed by the evaluation teams, and any additional material necessary to understand the package.

18 October: DDR&E Steering Group meets to discuss the package.

Late October: Comments addressed. Package is sent to Program Managers for comment and perhaps discussion at a senior-level meeting.

Late October: DCI makes a decision on the proposed alternatives; it is included in the FY 1990 NFIP.

January: President submits budget to Congress.

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DCI One Percent Fund Evaluation Team
General Guidance

1. The following material is included in this package:

TAB A: Set of initiative descriptions relating to your bundle.

- o Each sheet provides a description and schedule/cost data for each initiative submitted for consideration.

TAB B: A list of gaps that relate to your bundle. (Not applicable to the Collection bundle.)

- o The Intelligence Producers Council Staff (IPCS) has identified the gaps considered most vital for this particular bundle of initiatives. At the first page of this Tab is an evaluation sheet. Each participant will complete this sheet by entering a high(H), medium(M), or low(L) in each applicable block to indicate the relative degree to which each initiative contributes to closing the gap. Values are defined as follows:

HIGH: Provides a very important contribution toward resolving the gap.

MED: Provides a substantial contribution toward resolving the gap.

LOW: Is relevant and makes some contribution toward resolving the gap.

(Blank would indicate no contribution.)

- o These sheets must be returned to REO NLT _____.

TAB C: A form for each participant on the team to enter "benefit points".

- o Everyone will have a 1000 "benefit points" to distribute among the initiatives based on his/her assessment of the expected benefit that each would provide when compared with the other initiatives being considered.

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- o Benefit points should be assigned to an initiative based on its contribution to gap closure and the speed with which the initiative reaches initial operating capability (IOC). Initiatives that reduce most gaps soonest should generally be considered to have greatest benefit; initiatives that reduce fewest gaps and achieve IOC latest should generally have least benefit.
- o Do not consider cost when assigning benefit points.
- o While all initiatives need not be assigned points, all 1000 points must be distributed among the initiatives.
- o An initiative package cannot be split; it must be considered as a whole, as submitted. If the group feels, however, that there is particular value in a portion of the initiative, this should be noted on the final team ranking form.
- o Use whole numbers only.
- o These sheets must be returned to REO NLT _____.

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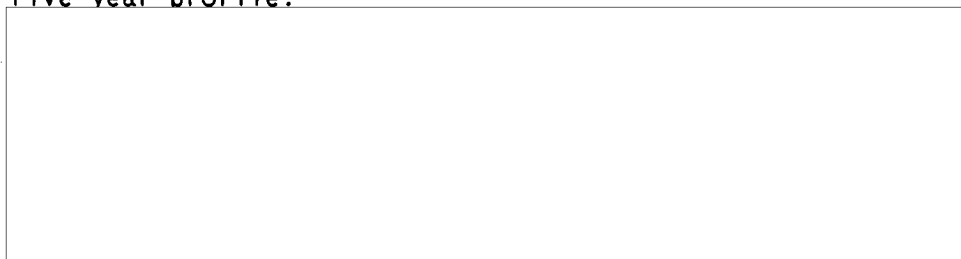
2. From the data on the sheets described in Tabs B and C, REO will prepare three strawman items for consideration by the team:

- o A "team ranking" of the initiatives in the bundles. REO will use a benefit-to-cost ratio computed for each initiative from the relative benefit scores provided by the team member. The participant's scores for each initiative (less the highest and lowest) will be summed and divided by the five-year cost total for the initiative. This strawman ranking is a starting point for team discussion and can be revised as the team judges appropriate.
- o Categorization of initiatives into three "bands" or categories of relative priority within the bundle: high, medium, and low. Each category must have at least one initiative.
- o A matrix that relates initiatives to gaps.

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3. This information will provide the basis for the draft one percent fund proposal that will be provided to the DDR&E Steering Group on 14 October. The proposal will be developed by the ICS, using as a primary input the data provided by the teams, with emphasis being given to those initiatives ranked highest. This does not mean that all initiatives in the "high" categories

will be funded, nor that initiatives in the "medium" and "low" categories will not be funded. An additional factor must also be considered when the ICS drafts its final proposal. The package must maintain the one percent profile over the five year program cycle. This may place some restrictions on initiatives that carry a funding spike in the outyears. Following is the current five year profile:



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